

Message Text

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ACTION EB-08

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SUBJ: SPRING 1977 CANTON TRADE FAIR: FIRST WEEK

1. SUMMARY. THE BEGINNING OF THE FORTY-FIRST CANTON EXPORT COMMODITIES FAIR WAS MARKED BY STRONG ATTENDANCE AND A POSITIVE BUSINESS ATTITUDE ON THE PART OF THE CHINESE. NEGOTIATIONS DURING THE FIRST WEEK INDICATE IMPROVEMENT OVER LAST YEAR'S POOR SPRING FAIR SALES. PURCHASES FROM THE NATIVE PRODUCE CORPORATION AGAIN LED US BUSINESS ACTIVITY AT THE FAIR, BUT AMERICAN PURCHASES IN MINERALS AND METALS ARE ALSO HIGH. THERE ARE ALSO GOOD PROSPECTS FOR US SALES IN CHEMICALS. SUPPLY SHORTAGES APPEAR LIMITED PRINCIPALLY TO SOME FOODSTUFFS. FOOD SHORTAGES ARE APPARENT IN CANTON. END SUMMARY

2. ATTENDANCE. OVER 6,000 FOREIGN GUESTS ATTENDED THE BEGINNING OF THE FAIR, UP FROM LAST YEAR'S FAIR. DE-
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SPITE THE OPENING OF THE NEW 23-STORY PAI YUN (WHITE CLOUDS) HOTEL, THE HOUSING SITUATION FOR EUROPEAN AND AMERICAN FAIR GUESTS REMAINS CHAOTIC, WITH NO RELIEF IN SIGHT. FAIR ORGANIZERS ARE CONTINUING TO SCREEN MORE CLOSELY INVITATIONS TO HONG KONG CHINESE FAIR VISITORS. MANY WERE ISSUED INVITATIONS FOR ONLY ONE OR TWO WEEKS OF THE FAIR. JAPANESE

ATTENDANCE WAS PARTICULARLY STRONG, RISING DURING THE FIRST WEEK TO ABOUT 800.

3. US ATTENDANCE DURING THE FIRST WEEK OF THE FAIR WAS DOWN SLIGHTLY FROM LAST FALL. FAIR OFFICIALS TOLD USLO THAT LESS THAN 200 AMERICAN VISITORS HAD ARRIVED DURING THIS PERIOD. SOME DECREASE IN NUMBERS WAS EVIDENT IN THE ARTS AND CRAFTS AND TEXTILE AREAS. CONTINUED HIGH PRICES FOR PRC GREIGE GOODS AND COTTON PIECE GOODS AND THE PRESENCE IN THE US OF THE PRC TEXTILE DELEGATION MAY HAVE DISCOURAGED SOME TEXTILE BUYERS. THE RELATIVELY SMALLL NUMBERS OF HANDICRAFT BUYERS MAY REFLECT A DEGREE OF SATURATION OF THE US MARKET IN THIS AREA, AS WELL AS THE INCREASING IMPORTANCE OF LARGE VOLUME PURCHASERS. PIER ONE IMPORTS, FOR INSTANCE, BOUGHT APPROXIMATELY \$1 MILLION IN HANDICRAFTS AT THE FAIR.

4. THE COOPERATIVE ATTITUDE EVIDENCED BY CORPORATION OFFICIALS AT THE 1976 FALL FAIR HAS CONTINUED INTO THE CURRENT SESSION AND SHOULD DO MUCH TO MITIGATE THE USUAL FALL-OFF IN CHINESE SALES AT THE SPRING SESSION. BUSINESS IN BOTH CHEMICALS AND MINERALS/METALS APPEARED ESPECIALLY ACTIVE DURING THE FIRST WEEK. PRICES REMAINED STABLE FOR THE MOST PART, ALTHOUGH STRONG DEMAND IN SOME PRODUCTS, SUCH AS DOWN AND FEATHERS AND TEAS, PRODUCED SHARP RISES. COTTON TEXTILE PRICES REMAIN TOO HIGH FOR MOST US BUYERS.

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5. THE NATIVE PRODUCE CORPORATION IS LIKELY ONCE AGAIN TO LEAD ALL TRADING CORPORATIONS IN SALES TO THE US. SEVERAL MILLION DOLLARS IN FEATHER AND DOWN SALES KNOWN TO USLO WERE MADE DURING THE FIRST WEEK OF THE FAIR, AS WELL AS SUBSTANTIAL SALES IN HERBS, SPICES AND TEAS, DOWN GARMETS, AND GUM ROSIN. THE MINMETALS CORPORATION ALSO MADE SEVERAL LARGE SALES TO US FIRMS, PRINCIPALLY ANTIMONY TRIOXIDE.

6. SUPPLY SHORTAGES BLAMED ON THE AFTER-EFFECTS OF THE GANG OF FOUR, THE EARTHQUAKE AND THE DROUGHT WERE FREQUENTLY MENTIONED BY FAIR OFFICIALS IN THEIR CONVERSATIONS WITH DIPLOMATIC VISITORS AND BY CORPORATION NEGOTIATORS DEALING WITH BUSINESSMEN, BUT THIS COMMON CANTON MALADY SEEMED LITTLE WORSE THAN USUAL. SEVERE SHORTAGES APPEAR TO BE CONFINED TO FOODSTUFFS AND AGRICULTURAL PRODUCTS. SOYBEANS, CHILIES, CANNED AND FROZEN PORTK, SEAFOODS, AND MANY NUTS AND OILS WERE UNAVAILABLE OR IN VERY SHORT SUPPLY.

7. SALES IMMEDIATELY BEFORE THE FAIR AND THE EARLY PROSPECT OF ADDITIONAL SALES IN CANTON WERE AN UNUSUAL AND POSITIVE CHARACTERISTIC OF THE FORTY-FIRST FAIR. ACLI REPRESENTATIVE TOLD USLO HE SOLD "SEVERAL MILLION" DOLLARS WORTH OF MACHINERY IN PEKING SHORTLY BEFORE THE FAIR AND HOPES TO CONCLUDE A \$2.5 MILLION SALE OF FERTILIZER. DIAMOND SHAMROCK EXPECTS TO CONCLUDE A SALE OF \$250,000 OF HERBICIDES AND HERCULES IS CLOSE TO CONCLUDING A SALE OF \$1 MILLION IN POLYESTER PRECURSOR. AIRSTOCKS, WHICH DID \$50,000-\$100,000 BUSINESS IN AIRCRAFT PARTS IN HONG KONG BEFORE THE FAIR, IS NOW NEGOTIATING A GENERAL TERMS AGREEMENT WITH MACHIMPEX WHICH WILL FIX THE COST-PLUS BASIS FOR FUTURE SALES.

8. IN CONTRAST TO THE FAIR, A NUMBER OF FOOD SHORTAGES LIMITED OFFICIAL USE

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IN THE CITY OF CANTON APPEARED MORE SERIOUS THAN ANY WE HAVE SEEN IN SEVERAL YEARS AT LEAST. VARIETIES AND QUANTITIES OF VEGETABLES, SEAFOODS AND MEATS WERE SEVERELY LIMITED IN BOTH RESTAURANTS AND MARKETS. NO EFFORT HAD BEEN MADE TO CLEAR CANTON OF THE TWO OFFICIAL BULLETINS, PROMINENTLY POSTED THROUGHOUT THE CITY, WHICH LIST PUNISHMENTS AWARDED IN EARLY APRIL BY CANTON CITY AND DISTRICT COURTS. EVEN BULLETINS ANNOUNCING SENTENCES OF THE CHANGSHA AND HENGYANG, HUNAN COURTS WERE TO BE SEEN. AS PREVIOUSLY REPORTED, MOST OF THE SENTENCES WERE FOR CRIMES OF VIOLENCE, BUT THE CANTON POSTER NOTED TWO EXECUTIONS FOR FORGING GRAIN RATION CARDS.

9. THIS MESSAGE CONTAINS COMMERCIALY SENSITIVE MATERIALS WHICH SHOULD NOT BE DISCUSSED OUTSIDE THE US GOVERNMENT. GATES

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